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# Message Text

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ACTION EB-07

INFO OCT-01 EA-07 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
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P R 250850Z MAY 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 8078
INFO USMISSION GENEVA

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E.O. 11652: N/A
TAGS: ETRD, JA
SUBJECT: THROWN SILK: NEW IMPORT PROGRAM

REF: (A) STATE 115257 (B) STATE 112535

SUMMARY: NOTIFICATION OF JAPAN'S NEW THROWN SILK LICENSING SYSTEM, KNOWN AS A "PRE-SHIPMENT PERMISSION SYSTEM," WILL BE MADE TO THE GATT UNDER ARTICLE 17 AS A "SUBSTITUTE" MEASURE NECESSARY TO ENACT JAPAN'S RAW SILK IMPORT LAW. DETAILED PLAN NOW UNDER PREPARATION ENVISAGES BILATERAL AGREEMENTS WITH JAPAN'S TRADITIONAL, PREFERRED SUPPLIERS - PRC, ROK AND BRAZIL - WITH THE REMAINING SHARE OF JAPAN'S PROJECTED RAW AND THROWN SILK IMPORTS FOR THE CURRENT JAPANESE FISCAL YEAR (LESS THAN 10 PERCENT OF 90-100,000 BALES) BEING AL-LOCATED AMONG DOMESTIC SILK IMPORTERS WHO WILL BE FREE TO PLACE ORDERS WITH WHATEVER OTHER EXPORTING COUNTRIES THEY CHOOSE. MITI REP SAYS THAT GOJ IS THUS NOT PLANNING A BILATERAL AGREEMENT WITH THE US ON THROWN SILK. END SUMMARY.

1. AS REQUESTED IN REF. A, EMBOFF CALLED ON HARADA (TRADE
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DIVISON OF MITI'S CONSUMER GOODS INDUSTRY BUREAU) TO DISCUSS MITI'S PLANNED "PRVVASHIPMENT PERMISSION PROGRAM", WHICH WILL REQUIRE CLEARANCE OF THROWN SILK IMPORTS PRIOR TO THEIR SHIPMENT INSTEAD OF AT JAPANESE CUSTOMS. HARADA ADMITTED THAT THE "IMPORT CONFIRMATION" PROGRAM ORIGINALLY FORMULATED TO DEAL WITH THROWN SILK IMPORTS HAS BEEN APPLIED MUCH MORE STRICTLY THAN WAS ANTICIPATED DUE TO THE CURRENT GLUT OF SILK ON THE JAPANESE

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MARKET. SINCE MITI FEELS THAT THIS SITUATION IS UNLIKELY TO CHANGE FOR THE BETTER IN THE FORESEEABLE FUTURE, THE NEW PRE-SHIPMENT SYSTEM IS BEING INTRODUCED TO TRY AND BRING OFFICIAL PRACTICE IN LINE WITH MARKET REALITIES.

2. EMBOFF EFFORTS TO CLEAR AWAY THE FUZZINESS FROM HARADA'S EXPLANATION OF THE RATIONALE FOR THIS NEW LICENSING SYSTEM WERE NOT ENTIRELY SUCCESSFUL. NOTIFICATION IS BEING MADE UNDER GATT ARTICLE 17, AND IS BEING DESCRIBED AS A "SUBSTITUTE" MEASURE TO "ENSURE THE IMPLEMENTATION OF JAPAN'S RAW SILK IMPORT LAW."

3. HARADA SAID THAT UNDER THIS NEW SYSTEM THERE WILL AGAIN BE A DIVISION OF SILK SUPPLIERS INTO "TRADITIONAL" AND "RECENT" ENTRIES INTO THE JAPANESE MARKET. THE COUNTRIES IN THE FORMER CATEGORY - PRC, ROK AND BRAZIL - WILL CONTINUE AS THE PRIMARY SUPPLIERS OF IMPORTED SILK THROUGH THE CONCLUSION OF BILATERAL AGREEMENTS WHICH WILL SPECIFY THE QUANTITY AND TIME PERIOD OF IMPORTS. HARADA ESTIMATED THAT AT LEAST 90 PERCENT OF THE 90-100,000 BALES OF SILK (RAW AND THROWN) THAT JAPAN IS PROJECTED TO IMPORT DURING THE CURRENT FISCAL YEAR (4/77-3/78) WILL BE SUPPLIED BY THESE TRADITIONAL EXPORTERS.

4. THE REMAINDER -- UNDER 10,000 BALES -- WILL BE AVAILABLE FOR THOSE SUPPLIERS THAT HAVE ENTERED THE JAPANESE MARKET SINCE 1975, INCLUDING THE U.S. WHILE IT MIGHT BE DESIRABLE TO CONCLUDE AGREE-MENTS WITH EACH OF THESE COUNTRIES AS WELL, HARADA FELT THAT THIS WOULD NOT BE PRACTICAL SINCE NO ONE WOULD BE SATISFIED WITH THE RESULTING SHARES. THUS, MITI PLANS TO PLACE THESE SHARES ON THE MARKET, GIVING ALLOCATIONS TO EACH JAPANESE SILK IMPORTER. THE LIMITED OFFICIAL USE



IMPORTERS WOULD IN TURN BE FREE TO BRING IN SILK (RAW OR THROWN, THOUGH MITI CONTINUES TO PREFER RAW) FROM WHOMEVER THEY CHOOSE. IN EFFECT, INSTEAD OF RECEIVING SHARES FROM THE GOJ, THE "RECENT ENTRY" SUPPLIERS WILL COMPETE AMONG THEMSELVES FOR WHATEVER IS NOT GIVEN TO THE TRADITIONAL SUPPLIERS.

5. WHILE REFERRING TO A PREFERENCE FOR RAW RATHER THAN THROWN SILK, HARADA NOTED THAT THIS POSITION WAS NOT JUST A MATTER OF GOJ PRINCIPLE, BUT REFLECTED STRONG INDUSTRY FEELING AS WELL. APPARENTLY, THE THROWN SILK NOW ENTERING JAPAN IS OF RELATIVELY LOW QUALITY, HAVING ABOUT 200 TO 300 TWISTS PER METER INSTEAD OF THE ROUGHLY 2,000 TWISTS THAT IT SHOULD HAVE FOR THE MANUFACTURE OF HIGH-GRADE FINISHED GOODS. THE JAPANESE SEEM TO SUSPECT THAT RECENT THROWN SILK EXPORTS ARE SIMPLY A HASTILY IMPROVISED EXPEDIENT TO GET AROUND JAPAN'S RAW SILK QUOTAS.

6. IN RESPONSE TO EMBOFF INQUIRY ON POSSIBLE MITI MISUNDERSTANDING CONCERNING THE AGE OF THE US THROWN SILK INDUSTRY (REF. B), HARADA SAID THAT THE DIFFERENCE BETWEEN THE LENGTH OF TIME

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COVERING EXPORTS TO JAPAN AND THE OPERATION OF THE US INDUSTRY ITSELF IS WELL KNOWN TO MITI, AND SPECULATED THAT KIRIYAMA EITHER MISUNDERSTOOD MITI'S BRIEFING, OR WAS MISQUOTED IN TRANSLATION.

7. HARADA'S OFFICE IS NOW PREPARING THE DETAILS OF THE PRE-SHIPMENT PERMISSION PLAN, AND INTENDS TO RELEASE INFORMATION ON IT WITHIN THE NEXT TWO WEEKS.
SHOESMITH

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# Message Attributes

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**Review Markings:**
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